uMngeni Municipality

Annual Financial Statements
for the year ended 30 June 2017

General Information

Legal form of entity	uMngeni Local Municipality
Mayoral committee	
Mayor	Mr RS Sokhela
Councillors	Cllr GT Dlamini
	Cllr Cllr NF Buthelezi
	Cllr PA Passmoor
	Cllr MJ Grueneberg
	Cllr SK Pillay
	Cllr SD Nkuna
	Cllr JE Holmes
	Cllr NN Mlotshwa
	Cllr BA Zuma
	Cllr TA Duggan
	Cllr FT Cele
	Cllr CRW Millar
	Cllr NJ Lewis
	Cllr JA Mkhasibe
	Cllr SM Ndlovu
	Cllr SS Khumalo
	Cllr CT Mthalane
	Cllr SS Sibiya
	Cllr NE Ngcongo
	Cllr QSB Buthelezi
	Cllr HM Lake
	Cllr T Sikhakhane
Grading of local authority	3
Acting Accounting Officer	Mr HS Buthelezi
Chief Finance Officer	Mr ZS Gwala
Registered office	Corner Dicks and Somme Streets Howick 3290
Postal address	P O Box 5 Howick 3290
Banker	ABSA Bank
Auditor	Auditor General

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are:

Bi weekly meetings in the form of the Interim Finance Committee, to plan and approve only essential expenditure for the forthcoming weeks and to ensure that the unspent conditional grants are moving to a position of being cash backed.
Two other committees have also been formed after Provincial Treasury provided support to help the Municipality recover from the cash flow challenges it faces. The Credit control and Valuation sub-committees meet monthly to tackle revenue enhancement issues by addressing the issue of outstanding debtors and valuation queries respectively. These committees have already achieved success by requesting all stakeholders involved in revenue enhancement to account monthly and provide direction on how to maximise revenue and reduce the outstanding debtors.

Council and the Interim Finance committee is committed to turning the situation around and has frozen all vacant posts in order to curb expenditure, except critical posts or those funded by the conditional grants. There is also an action plan to further reduce expenditure and implement cost-cutting measures to aid financial recovery. Council still has to adopt the plan.

On the technical side, excess electricity losses have been identified and corrective action is being taken to remedy the situation by the Development of Consumer loss Analysis programme (CLA). This programme was specifically written to identify the electricity losses due to technical issues, theft of electricity, illegal connections, and metered installations and correct the electricity billing cycle.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements..

The annual financial statements set out on page 5-57 which have been prepared on the going concern basis, were approved by the Acting Accounting Officer on 31 August 2017 and were signed on its behalf by:

Mr HS Buthelezi
Acting Municipal Manager

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements, which are set out on page 7-60 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr HS Buthelezi
Acting Municipal Manager

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 R
Assets			
Current Assets			
Investments	8	4 674 024	33 038 278
Other receivables	9	3 571 179	3 069 381
Receivables from non-exchange transactions	11	16 118 494	10 238 479
VAT receivable	12	1 142 154	6 660 475
Consumer debtors	10	64 126 302	45 655 936
Cash and cash equivalents	13	10 679 414	6 796 232
		100 311 567	**105 458 781**
Non-Current Assets			
Investment property	3	4 791 293	5 056 987
Property, plant and equipment	4	765 225 103	765 379 284
Intangible assets	5	321 300	129 499
Heritage assets	6	5 392 615	5 392 615
		775 730 311	**775 958 385**
Non-Current Assets		775 730 311	775 958 385
Current Assets		100 311 567	105 458 781
Total Assets		**876 041 878**	**881 417 166**
Liabilities			
Current Liabilities			
Annuity loans	16	3 503 948	3 386 736
Trade and other payables from exchange transactions	20	27 018 683	23 879 311
Consumer deposits	21	2 434 725	2 295 977
Employee benefit obligation	7	1 450 000	1 316 000
Unspent conditional grants and receipts	18	1 168 989	11 078 439
Finance lease obligation	17	987 953	965 458
		36 564 298	**42 921 921**
Non-Current Liabilities			
Annuity loans	16	23 294 485	26 235 723
Finance lease obligation	17	3 682 327	385 760
Employee benefit obligation	7	25 269 000	25 555 000
Provisions	19	39 948 227	30 094 097
		92 194 039	**82 270 580**
Non-Current Liabilities		92 194 039	82 270 580
Current Liabilities		36 564 298	42 921 921
Total Liabilities		**128 758 337**	**125 192 501**
Assets		876 041 878	881 417 166
Liabilities		(128 758 337)	(125 192 501)
Net Assets		**747 283 541**	**756 224 665**

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 R
Net Assets			
Reserves			
Revaluation reserve	14	127 470 628	127 470 628
Housing Operating Account	15	15 108 143	15 108 143
Accumulated surplus		604 704 770	613 645 894
		747 283 541	756 224 665
Non-controlling interest		-	-
Total Net Assets		**747 283 541**	**756 224 665**

uMngeni Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

	Note(s)	2017 R	2016 R
Revenue			
Service charges	24	68 159 854	62 487 450
Rental of facilities and equipment		756 947	700 857
Licences and permits		3 495 133	3 206 426
Other income	26	5 741 070	3 703 142
Interest revenue	32	4 176 321	5 348 636
Property rates	23	162 511 455	154 859 936
Property rates - penalties imposed and collection charges		10 245 447	7 343 344
Government grants and subsidies	25	87 244 452	71 131 777
Fines, Penalties and Forfeits		51 990 950	9 100 750
Total revenue		**394 321 629**	**317 882 318**
Expenditure			
Employee related costs	29	(89 804 556)	(87 436 519)
Remuneration of councillors	30	(7 368 981)	(7 236 967)
Depreciation and amortisation	33	(42 063 440)	(42 804 584)
Finance costs	34	(4 154 410)	(3 441 913)
Debt Impairment	31	(48 058 558)	(25 990 564)
Collection costs		(1 404 815)	(885 333)
Repairs and maintenance		(21 818 493)	(21 867 782)
Bulk purchases		(97 794 991)	(83 791 886)
Contracted services		(13 830 644)	(13 468 960)
Grant expenditure	28	(10 912 144)	(8 787 772)
General expenses	27	(55 452 967)	(44 691 842)
Total expenditure		**(392 663 999)**	**(340 404 122)**
		-	-
Total revenue		394 321 629	317 882 318
Total expenditure		(392 663 999)	(340 404 122)
Operating surplus (deficit)		**1 657 630**	**(22 521 804)**
Operating surplus/deficit		-	-
Surplus (deficit) before taxation		1 657 630	(22 521 804)
Taxation		-	-
Surplus (deficit) for the year		**1 657 630**	**(22 521 804)**

Statement of Changes in Net Assets

	Revaluation reserve	Housing operating account	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R
Balance at 01 July 2015	**127 470 628**	**15 108 143**	**142 578 771**	**624 481 616**	**767 060 387**
Changes in net assets					
Movement in Accumulated Surplus	-	-	-	11 686 082	11 686 082
Net income recognised directly in net assets	-	-	-	11 686 082	11 686 082
Deficit for the year restated	-	-	-	(22 521 804)	(22 521 804)
Total recognised income and expenses for the year	-	-	-	(10 835 722)	(10 835 722)
Total changes	-	-	-	(10 835 722)	(10 835 722)
Balance at 01 July 2016	**127 470 628**	**15 108 143**	**142 578 771**	**613 645 891**	**756 224 662**
Movement in Accumulated Surplus	-	-	-	(10 598 751)	(10 598 751)
Net income recognised directly in net assets	-	-	-	(10 598 751)	(10 598 751)
Surplus for the year	-	-	-	1 657 630	1 657 630
Total recognised income and expenses for the year	-	-	-	(8 941 121)	(8 941 121)
	-	-	-	(8 941 121)	(8 941 121)
Balance at 30 June 2017	**127 470 628**	**15 108 143**	**142 578 771**	**604 704 770**	**747 283 541**
Note(s)	14	15			

Cash Flow Statement

	Note(s)	2017 R	2016 R
Cash flows from operating activities			
Receipts			
Sale of goods and services (rates and electricity)		249 344 826	214 437 101
Grants		87 244 452	71 131 777
Interest revenue		4 176 321	5 348 636
Other receipts		9 993 150	7 610 425
Fines		6 796 149	3 945 852
		357 554 898	302 473 791
Payments			
Employee costs		(97 173 537)	(94 673 486)
Suppliers		(276 838 900)	(190 870 849)
Finance costs		(4 154 410)	(3 441 913)
		(378 166 847)	(288 986 248)
Total receipts		357 554 898	302 473 791
Total payments		(378 166 847)	(288 986 248)
Net cash flows from operating activities	37	**(20 611 949)**	**13 487 543**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	154 181	(18 912 582)
Proceeds from sale of property, plant and equipment	4	(4 285 595)	-
Purchase of other intangible assets	5	(191 801)	(128 455)
(Increase)/decrease in investments		28 364 254	5 510 172
Net cash flows from investing activities		**24 041 039**	**(13 530 865)**
Cash flows from financing activities			
Decrease in borrowings		(2 824 026)	(2 678 887)
Movement in consumer deposits		138 748	97 906
Increase in finance lease liability		3 139 370	1 317 304
Net cash flows from financing activities		**454 092**	**(1 263 677)**
Net increase/(decrease) in cash and cash equivalents		**3 883 182**	**(1 306 999)**
Cash and cash equivalents at the beginning of the year		6 796 232	8 103 231
Cash and cash equivalents at the end of the year	13	**10 679 414**	**6 796 232**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges- electricity	76 884 398	-	**76 884 398**	61 887 332	**(14 997 066)**	49.1
Service charges- refuse	5 512 250	-	**5 512 250**	6 272 522	**760 272**	49.2
Rental of facilities and equipment	719 375	(3 131)	**716 244**	756 947	**40 703**	
Interest received (outstanding debtors)	1 959 837	-	**1 959 837**	1 942 082	**(17 755)**	
Licences and permits	3 439 439	-	**3 439 439**	3 495 133	**55 694**	
Other income	7 371 954	(500 970)	**6 870 984**	5 741 070	**(1 129 914)**	49.3
Interest received - investment	3 724 682	(964 156)	**2 760 526**	2 234 239	**(526 287)**	49.4
Total revenue from exchange transactions	**99 611 935**	**(1 468 257)**	**98 143 678**	**82 329 325**	**(15 814 353)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	176 512 298	(2 519 608)	**173 992 690**	162 511 455	**(11 481 235)**	
Property rates - penalties imposed	6 654 680	-	**6 654 680**	10 245 447	**3 590 767**	49.5
Transfer revenue						
Government grants & subsidies	83 335 000	10 406 874	**93 741 874**	87 244 452	**(6 497 422)**	
Transfers recognised - trading	23 915 908	17 685 938	**41 601 846**	51 990 950	**10 389 104**	49.6
Total revenue from non-exchange transactions	**290 417 886**	**25 573 204**	**315 991 090**	**311 992 304**	**(3 998 786)**	
'Total revenue from exchange transactions'	99 611 935	(1 468 257)	**98 143 678**	82 329 325	**(15 814 353)**	
'Total revenue from non-exchange transactions'	290 417 886	25 573 204	**315 991 090**	311 992 304	**(3 998 786)**	
Total revenue	**390 029 821**	**24 104 947**	**414 134 768**	**394 321 629**	**(19 813 139)**	
Expenditure						
Personnel	(102 239 472)	3 662 251	**(98 577 221)**	(89 804 556)	**8 772 665**	
Remuneration of councillors	(7 446 411)	-	**(7 446 411)**	(7 368 981)	**77 430**	
Depreciation and impairment	(28 973 701)	-	**(28 973 701)**	(42 063 440)	**(13 089 739)**	49.7
Finance costs	(5 127 488)	-	**(5 127 488)**	(4 154 410)	**973 078**	49.8
Bad debts written off	(22 878 444)	(8 550 000)	**(31 428 444)**	(48 058 558)	**(16 630 114)**	49.9
Collection costs	(546 020)	(928 052)	**(1 474 072)**	(1 404 815)	**69 257**	
Repairs and maintenance	(21 860 982)	1 307 113	**(20 553 869)**	(21 818 493)	**(1 264 624)**	
Bulk purchases	(95 403 777)	(8 000 000)	**(103 403 777)**	(97 794 991)	**5 608 786**	
Contracted Services	(13 928 573)	-	**(13 928 573)**	(13 830 644)	**97 929**	
Grant and subsidies	(12 143 000)	(347 941)	**(12 490 941)**	(10 912 144)	**1 578 797**	49.10
Sale of goods/Inventory	-	-	**-**	-	**-**	
General Expenses	(57 108 573)	(1 543 999)	**(58 652 572)**	(55 452 967)	**3 199 605**	
Total expenditure	**(367 656 441)**	**(14 400 628)**	**(382 057 069)**	**(392 663 999)**	**(10 606 930)**	
	22 373 380	9 704 319	**32 077 699**	1 657 630	**(30 420 069)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
	-	-	-	-	-	
Surplus before taxation	**22 373 380**	**9 704 319**	**32 077 699**	**1 657 630**	**(30 420 069)**	
Deficit before taxation	22 373 380	9 704 319	32 077 699	1 657 630	(30 420 069)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**22 373 380**	**9 704 319**	**32 077 699**	**1 657 630**	**(30 420 069)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

1.2 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		indefinite
Buildings	Straight line	30 years
Plant and machinery - Specialised	Straight line	10-15
Furniture and fixtures	Straight line	15
Motor vehicles (Specialised is 10 years, Other is 5 years)	Straight line	5 -10 years
Office equipment	Straight line	3 years
IT equipment	Straight line	5 years
Intangibles	Straight line	1-3 years
Plant and Machinery (Other)	Straight line	7-10 years
Infrastructure (Roads and Paving)	Straight line	30 years
Infrastructure - Pedestrian malls	Straight line	30 years
Infrastructure - Electricity	Straight line	20 - 30 years
Community Buildings	Straight line	30 years
Recreational Facilities	Straight line	20-30 years
Security	Straight line	5 yeras
Bins and containers	Straight line	5 years
Investment property	Straight line	30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

1.3 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	1-3 years

1.4 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.4 Borrowing costs (continued)

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since . The effective date of the amendments were .

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Consumer debtors are expected to be realised within 12 months after the reporting date.

The impairment for trade and other receivable is calculated based using the ageing as follows : 30 days 15%, 90 days 30%, 120 days 35% and 150 days 55% based on historical loss ratios.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The appointed actuary determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the appointed actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Accounting Policies

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land that is measured at revalued amount which is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.7 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee benefits

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Accounting Policies

1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.10 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

1.10 Heritage assets (continued)

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.11 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016-07-01 to 2017-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.12 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.13 Related parties

The municipality has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity any one or more related parties, and those transactions were not within:

1.13 Related parties (continued)

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

1.14 Financial Instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

1.14 Financial Instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Consumer debtors

Consumer debtors are initially recognised at fair value, and are subsequently measured at amortised cost.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are initially recorded at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Long term loans

Long term loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Accounting Policies

1.14 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
- has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.15 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The cost of items of property, plant and equipment that under construction as of the reporting date is recognised as an asset if:
- it is probable that future economic benefits or service potential associated with the item(s) will flow to the municipality, and
- the cost or fair value of the item(s) can be measured reliably.

Assets under construction consist of expenditure for the construction of buildings, certain land improvements, infrastructure assets and networks and any other capital projects that are under construction as of the reporting date. The expenditure comprises direct labour, materials and overheads, if appropriate.

Accounting Policies

When assets under construction are completed and certificates of completion issued, they are transferred to the appropriate asset class.

Assets under construction are not depreciated as they are not in a condition necessary for it to be capable of operating in the manner intended by management.

1.16 Impairment of cash-generating assets and non-cash generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.16 Impairment of cash-generating assets and non-cash generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Other post retirement obligations

The municipality provides post-retirement health care benefits and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.18 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.18 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating Surplus.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and value-added taxes (VAT).

1.19 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges for electricity are based on consumption by consumers as is recorded on each consumer's meter.

Meters are read each month and the revenue is recognised in the period in which invoices are raised.

Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognised as revenue when invoiced.

Adjustments to provisional estimates and recognition of the amended revenue arising as a result, are made in the invoicing period in which meters are read.

Revenue from the sale of electricity prepaid meter cards is recognised immediately in revenue.

Service charges for refuse removal are raised and recognised on a monthly basis in arrears.

Refuse charges are based on the application of the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service has been rendered and the fee has been charged or licenses and permits have been issued.

Income from agency services is recognised on a monthly basis once the income collected from agents has been quantified and the terms of the agency agreement have been complied with.

Interest

Interest is recognised in surplus or deficit using the effective interest rate method.

1.20 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another institution/ individual without directly giving approximately equal value in exchange.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.
When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue. at the fair value of the consideration received or receivable, net of trade discounts and volume rebates and value-added taxes (VAT).

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Accounting Policies

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2017	
• GRAP 20: Related parties	01 April 2017	
• GRAP 109: Accounting by Principals and Agents	01 April 2017	
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:

	2017 R	2016 R

3. Investment property

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 122 000	(1 330 707)	4 791 293	6 122 000	(1 065 013)	5 056 987

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	5 056 986	265 688	4 791 293

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	4 254 919	266 436	5 056 986

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	133 952 348	(9 326 000)	124 626 348	133 952 348	(9 326 000)	124 626 348
Buildings	84 822 590	(31 107 139)	53 715 451	79 419 674	(27 596 289)	51 823 385
Furniture and fittings	6 114 342	(3 528 094)	2 586 248	5 357 390	(3 032 463)	2 324 927
Motor vehicles	10 194 952	(6 297 783)	3 897 169	11 951 378	(6 588 294)	5 363 084
Motor vehicles - leased	10 108 169	(5 474 300)	4 633 869	5 554 799	(4 997 750)	557 049
Computer equipment	3 889 712	(2 275 153)	1 614 559	3 689 966	(2 205 849)	1 484 117
Electrical	93 262 155	(46 425 003)	46 837 152	92 725 077	(43 725 743)	48 999 334
Leased Equipment	192 643	(43 400)	149 243	-	-	-
Assets under construction	91 535 750	-	91 535 750	61 762 641	-	61 762 641
Roads and storm water network	927 112 434	(492 764 836)	434 347 598	927 112 434	(460 231 956)	466 880 478
Machinery and equipment	3 929 409	(2 647 693)	1 281 716	3 890 837	(2 332 916)	1 557 921
Total	**1 365 114 504**	**(599 889 401)**	**765 225 103**	**1 325 416 544**	**(560 037 260)**	**765 379 284**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers	Disposal	Depreciation	Total
Land	124 626 348	-	-	-	-	124 626 348
Buildings	51 823 385	-	5 402 916	-	(3 510 850)	53 715 451
Machinery and equipment	1 557 921	113 573	-	(26 482)	(363 295)	1 281 717
Furniture and office equipment	2 324 926	848 870	-	(13 324)	(574 224)	2 586 248
Motor vehicles	5 363 083	-	-	(425 194)	(1 040 720)	3 897 169
Motor vehicles - leased	557 049	4 795 029	-	(241 659)	(476 551)	4 633 868
Computer equipment	1 484 118	733 810	-	(129 204)	(474 165)	1 614 559
Electricity	48 999 335	684 920	-	(147 842)	(2 699 260)	46 837 153
Leased Equipment	-	192 643	-	-	(43 400)	149 243
Assets under construction	61 762 642	35 176 024	(5 402 916)	-	-	91 535 750
Roads and Storm water network	466 880 477	-	-	-	(32 532 880)	434 347 597
	765 379 284	**42 544 869**	**-**	**(983 705)**	**(41 715 345)**	**765 225 103**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance Restated	Additions Restated	Transfers	Depreciation restated	Impairment loss	Total
Land	125 248 081	-	-	-	(621 733)	124 626 348
Buildings	51 527 134	-	3 811 254	(3 515 003)	-	51 823 385
Furniture and office equipment	1 573 124	1 130 898	-	(379 096)	-	2 324 926
Motor vehicles	5 414 015	771 699	-	(822 631)	-	5 363 083
Motor vehicles - leased	1 092 130	-	-	(535 081)	-	557 049
Computer equipment	1 310 574	571 620	-	(398 076)	-	1 484 118
Electrical	51 778 930	-	-	(2 779 595)	-	48 999 335
Assets under construction	52 727 937	15 607 983	(6 573 277)	-	-	61 762 643
Roads and storm water network	497 341 604	-	2 762 023	(33 223 150)	-	466 880 477
Other property, plant and equipment # 4	862 863	927 499	-	(232 442)	-	1 557 920
	788 876 392	**19 009 699**	-	**(41 885 074)**	**(621 733)**	**765 379 284**

Assets subject to finance lease (Net carrying amount)

Motor vehicles	-	2 907 516
IT equipment	204 430	1 092 130
	204 430	**3 999 646**

Notes to the Annual Financial Statements

	2017 R	2016 R

5. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	-	-	-	-	309 466	309 466
Computer software	446 213	(124 913)	321 300	172 006	(351 973)	(179 967)
Total	**446 213**	**(124 913)**	**321 300**	**172 006**	**(42 507)**	**129 499**

Reconciliation of intangible assets - 2017

	Opening balance	Other changes, movements	Impairment loss	Total
Computer software, internally generated	129 499	274 207	(82 404)	321 302

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	32 384	128 455	(31 340)	129 499

6. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	2 462 016	-	2 462 016	2 462 016	-	2 462 016
Mayoral Chains	60 000	-	60 000	60 000	-	60 000
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Museums	2 870 599	-	2 870 599	2 870 599	-	2 870 599
Total	**5 392 615**	**-**	**5 392 615**	**5 392 615**	**-**	**5 392 615**

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical monuments	2 462 016	2 462 016
Mayoral Chains	60 000	60 000
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Museum	2 870 599	2 870 599
	5 392 615	**5 392 615**

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical monuments	2 462 016	2 462 016

Notes to the Annual Financial Statements

	2017 R	2016 R

6. Heritage assets (continued)

Mayoral Chains	60 000	60 000
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Museums	2 870 599	2 870 599
	5 392 615	**5 392 615**

7. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

The post-retirement medical aid subsidy for qualifying employees is 60% of the applicable medical aid. The post-retirement medical aid for qualifying pensioners is 60% or 67% of the total monthly contribution to the applicable medical aid. Widow(er)s and orphans of eligible in-service members are not entitled to receive a subsidy on and after the death in-service of an employee.

The most recent actuarial valuation was performed on 30 June 2017 by ZAQEN Actuaries (Pty) Ltd (trading as ZAQ Consultants and Actuaries) using the Projected Unit Credit Funding Method.

The full liability has been recognised as at the date of the statement of financial postion. The liability as at the reporting date is R 21 357 000

Long service award

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service. The most recent actuarial valuation was performed on 30 June 2017 by ZAQEN Actuaries (Pty) Ltd (trading as ZAQ Consultants and Actuaries) using the Projected Unit Credit Method.

The full liability has been recognised as at the date of the statement of financial postion. The liability as at the reporting date is R 5 362 000

The amounts recognised in the statement of financial position are as follows:

	2017 R	2016 R
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(26 871 000)	(25 357 000)
Present value of the defined benefit obligation-partly or wholly funded	(1 579 000)	(1 457 000)
Fair value of reimbursement rights	(2 823 000)	(2 330 000)
Acturial Loss	3 333 000	1 111 000
Benefits Paid	1 221 000	1 162 000
	(26 719 000)	**(26 871 000)**
Non-current liabilities	(25 269 000)	(25 555 000)
Current liabilities	(1 450 000)	(1 316 000)
	(26 719 000)	**(26 871 000)**

Net expense recognised in the statement of financial performance

	2017 R	2016 R
Current Service Cost	1 579 000	1 457 000
Interest Cost	2 823 000	2 330 000
Acturial (gains) Losses	3 333 000	1 162 000
	7 735 000	**4 949 000**

Notes to the Annual Financial Statements

	2017 R	2016 R

7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2017	2016
Discount rates used	8,94 %	8,94 %
Expected rate of return on assets	8,05 %	8,05 %
Expected increase in salaries	0,82 %	0,82 %
Expected pension increases	7,05 %	7,05 %

Defined contribution plan

Post retirement pension plan- Natal Joint Municipal Pension Fund

The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined.

Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the Municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2016 interim valuations have not yet been released.

8. Investments

	2017	2016
Unlisted investments		
Collateral security fixed deposits - Rand Merchant Bank - RU 500475 658	2 055 198	1 435 356
Notice deposits - Absa Bank - 9154 612 908,9312 7571 98 &9312 756980	535 410	11 160 436
Fixed Deposit - Absa 2074 952 988	161 376	149 567
Fixed Deposit - Fnb - 7454 7419 339 &7437 235 7316	1 916 432	1 581 526
Call Account - FNB - 6254 7030 875	5 608	7 141 686
Notice Deposit - Investec - 1100 503504 500	-	11 569 706
	4 674 024	**33 038 277**
Average rate of return on investments	6%	6%
Investments pledged as collateral security for loans	2 055 198	1 435 356

9. Other receivables

	2017	2016
Interest receivable	778 156	11 321
Other receivables	2 793 023	3 058 060
	3 571 179	**3 069 381**

10. Consumer Debtors

	2017	2016
Consumer debtors	100 559 089	81 745 572
Less: Provision for bad debts	(36 432 787)	(36 089 636)
	64 126 302	**45 655 936**

Notes to the Annual Financial Statements

	2017 R	2016 R

11. Receivables from non-exchange transactions

Debtors- traffic fines (net)	16 118 494	10 238 479

Reconciliation of receivables from non-exchange transactions

Opening balance	10 238 479	8 269 258
Debtors - traffic fines	45 167 350	6 017 723
Debt impairement	(39 287 335)	(4 048 502)
	16 118 494	**10 238 479**

The Municipality has two traffic fine billing systems. TMT (outsourced serviced provider) is responsible for the system used to issue fines for speed traffic offenders along the N3 toll road within the municipal boundary. TRAFMAN is a system used by the municipality to issue fines for other traffic offences. Both TMT and the municipality work closely with the magistrates court to ensure that accurate recording of the status of fines (including the statuses of summons, appeals,fine reducions etc). Monies collected by the Magistrate are transferred to the municiaplity's bank account.

12. VAT receivable

VAT	1 142 154	6 660 475

13. Cash and cash equivalents

Cash and cash equivalents consist of: Absa bank limited - 4063796636 : Bank statement balance at year end (primary) R 7 108 083.

Cash on hand	2 210	2 210
Bank balances	10 677 204	6 794 022
	10 679 414	**6 796 232**

The Municipality has the following bank accounts:

Current accounts		
Absa Bank Limited - Account No. 4063796636: Bank statement balance at year end (Primary account)	7 108 083	7 362 164
Absa Bank Limited - Account No: 9264784869	98 501	262 141

14. Revaluation reserve

Opening balance	127 470 628	127 470 628

The revaluation reserve has resulted from the revaluation of property, plant and equipment.

15. Housing Operating Account

Opening Balance	15 108 143	15 108 143

Notes to the Annual Financial Statements

	2017 R	2016 R

16. Annuity loans

Designated at fair value		
External Loan - DBSA Account number - 61003296	6 378 796	6 921 512
External Loan - DBSA Account number - 61000591	1 534 383	1 798 412
External Loan - DBSA Account number - 61000576	12 218 587	12 902 535
External Loan - ABSA Account number - 302200978	6 666 666	7 999 999
	26 798 432	**29 622 458**

The loans attract interest at rates between 5% to 12.62% per annum and are being redeemed in monthly and quarterly instalments.

The annuity loans were acquired for the construction of infrastructure. Construction was completed in 2009 and the municipality is currently redeeming the amount borrowed.

Non-current liabilities		
At amortised cost	23 294 485	26 235 723
Current liabilities		
At amortised cost	3 503 948	3 386 736

17. Finance lease obligation

Minimum lease payments due		
- Within one year	1 349 656	1 110 938
- In second to fifth year inclusive	4 263 200	406 640
- later than five years	(942 581)	(166 367)
Present value of minimum lease payments	**4 670 275**	**1 351 211**
Present value of minimum lease payments due		
- Within one year	987 953	965 458
- In second to fifth year inclusive	3 682 327	385 760
	4 670 280	**1 351 218**
Non-current liabilities	3 682 327	385 760
Current liabilities	987 953	965 458
	4 670 280	**1 351 218**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 4-5 years.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

In the prior year the finance lease liability was disclosed under other financial liabilities, it has been reclassified in the current year.

Notes to the Annual Financial Statements

	2017 R	2016 R

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017 R	2016 R
Unspent conditional grants and receipts		
Provincial - Cedara College/ Khanya Village Road	414 219	536 449
Financial management grant	284 009	-
Mandela capture site phase 2	-	10 058 933
MAP Synergistic Partnership	335 645	347 941
Integrated National Electricity Programme Grant	1	1
Massification grant	135 115	135 115
	1 168 989	**11 078 439**

Movement during the year

	2017 R	2016 R
Balance at the beginning of the year	11 078 439	22 223 372
Movement during the year	(9 909 450)	(11 144 933)
	1 168 989	**11 078 439**

See note 25 for reconciliation of grants from other spheres of government.

19. Provisions

Reconciliation of provisions - 2017

	Opening balance	Interest wind down	Closing balance
Environmental rehabilitation	22 530 347	8 888 430	31 418 777
Provision for leave	7 563 750	965 700	8 529 450
	30 094 097	**9 854 130**	**39 948 227**

Reconciliation of provisions - 2016

	Opening balance	Utilised during the year	Closing balance
Environmental rehabilitation	18 116 688	4 413 659	22 530 347
Provision for leave	6 625 793	937 957	7 563 750
	24 742 481	**5 351 616**	**30 094 097**

The landfill site provision is raised for the rehabilitation of the refuse disposal site to its original state once the site has reached the end of its useful life.

20. Trade and other payables from exchange transactions

	2017 R	2016 R
Payments received in advanced	-	-
Unclaimed deposits	1 702 453	1 702 453
Accruals	9 366 942	11 887 206
Deposits received	9 486 078	4 727 010
Retentions	2 844 239	1 968 446
Other sundry creditors: District municipality	1 166 051	1 093 082
Accrued expense - DBSA accrude interest	527 349	598 615
Sundry creditors	1 892 162	1 892 162
Provision for Bonus	32 500	-
Operation Lease	909	10 340
	27 018 683	**23 879 311**

	2017 R	2016 R

20. Trade and other payables from exchange transactions (continued)

The fair value of trade and other payables approximate their carrying amount.

21. Consumer deposits

	2017 R	2016 R
Electricity	2 434 725	2 295 977

22. Revenue

	2017 R	2016 R
Service charges	68 159 854	62 487 450
Rental of facilities and equipment	756 947	700 857
Licences and permits	3 495 133	3 206 426
Property rates	162 511 455	154 859 936
Property rates - Penalties imposed and collection charges	10 245 447	7 343 344
Government grants & subsidies	87 244 452	71 131 777
Fines, Penalties and Forfeits	51 990 950	9 100 750
	384 404 238	**308 830 540**

	2017 R	2016 R
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	68 159 854	62 487 450
Rental of facilities and equipment	756 947	700 857
Licences and permits	3 495 133	3 206 426
	72 411 934	**66 394 733**

	2017 R	2016 R
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	162 511 455	154 859 936
Property rates - Penalties imposed and collection charges	10 245 447	7 343 344
Transfer revenue		
Government grants and subsidies	87 244 452	71 131 777
Fines, Penalties and Forfeits	51 990 950	9 100 750
	311 992 304	**242 435 807**

Notes to the Annual Financial Statements

	2017 R	2016 R

23. Property rates

Rates received

Residential	133 874 958	123 650 744
Commercial	36 557 765	34 447 749
Small holdings and farms	32 567 353	32 177 796
Education and state	9 931 687	8 718 169
Private open space	2 191 675	2 037 546
Less: Income forgone rebates	(52 611 983)	(46 172 068)
Income received	162 511 455	154 859 936
Property rates - Penalties imposed and collection charges	10 245 447	7 343 344
	172 756 902	**162 203 280**

Valuations

Residential	15 700 554 500	15 521 867 500
Commercial	4 001 598 000	4 036 598 000
Education and State	1 164 766 000	1 094 391 000
Municipal	282 931 325	283 181 325
Agriculture	3 819 426 000	4 039 276 000
Private open space	259 918 000	255 773 000
State	283 006 000	287 625 000
	25 512 199 825	**25 518 711 825**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June 2017 (31 July 2016). Interest at 1% per month is levied on rate outstanding one month after due date .

A basic rate of randage is applied to the valuations of all types of properties, the amount is 1.35 cents in the Rand (2017: 1.43 cents

Rebates

Agriculture - additional	82,50%	82.50%
Bona fide farmers	0%	0%
Residential (The first R120,000 is exempt in terms of the rates policy)	30%	30%
Pensioners (Qualifying on with income up to R11500 on a sliding scale)	30%	30%
State	30%	30%

24. Service charges

Sale of electricity	61 887 332	56 672 222
Refuse removal	6 272 522	5 815 228
	68 159 854	**62 487 450**

The estimated distribution loss of R 73 436 667 (2016: R 43 570 105) is noted.

The contractor has finalised the project to identify losses and the recommendation is to undertake a full audit of all electrical installations within the area of supply. There is currently no funding available to begin this process.

The Municipality is applying its Credit Control and Debt Collection Policy and By-Laws in an effort to reduce losses, however the losses are of a technical nature and the Municipality is busy investigating strategies to further reduce the losses.

	2017 R	2016 R

25. Government grants and subsidies

Operating grants		
Equitable share	49 326 000	44 316 000
Integrated National Electricity	6 000 000	1 715 285
Municipal systems improvement grant	-	930 000
Finance Management Grant	1 340 991	1 600 000
MAP Synergistic Partnership	12 296	6 548
Cleanest town award	-	755
Museum Grant	175 000	656 005
Library staffing costs	3 026 000	2 976 000
Expanded public works grant	1 317 000	1 466 429
Data cleansing grant	-	24 851
	61 197 287	53 691 873
Municipal Infrustructure Grant	15 866 000	6 852 176
Cidara College- Kanya Village	122 232	719 795
Mandela capture site- phase 2	10 058 933	9 867 974
	87 244 452	**71 131 818**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

	49 326 000	44 316 000

Municipal Systems Improvement Grant

Current year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

Finance Management Grant

Current year receipts	1 625 000	1 600 000
Conditions met - transferred to revenue	(1 340 991)	(1 600 000)
	284 009	-

Municipal Infrustructure Grant

Current year receipts	15 866 000	13 249 000
Conditions met - transferred to revenue	(15 866 000)	(6 396 825)
	-	(6 852 175)
	-	-

Notes to the Annual Financial Statements

	2017 R	2016 R

25. Government grants and subsidies (continued)

Mandela Capture Site - Phase 2

Balance unspent at beginning of year	10 058 933	19 926 867
Conditions met - transferred to revenue	(10 058 933)	(9 867 934)
	-	**10 058 933**

MAP Synergistic Partnership

Balance unspent at beginning of year	347 941	354 489
Current year receipts	-	-
Conditions met - transferred to revenue	(12 296)	(6 548)
	335 645	**347 941**

Cleanest Town Award

Balance unspent at beginning of year	-	755
Current year receipts	-	-
Conditions met - transferred to revenue	-	(755)
	-	-

	2017 R	2016 R
25. Government grants and subsidies (continued)		
Provincial - Cedara College/Khanya Villlage Road		
Balance unspent at beginning of year	536 449	1 256 245
Current year receipts	-	-
Conditions met - transferred to revenue	(122 231)	(719 796)
	414 218	**536 449**
Integrated National Electricity Programme Grant		
Balance unspent at beginning of year	-	6 616
Current year receipts	6 000 000	5 000 000
Conditions met - transferred to revenue	(6 000 000)	(1 715 285)
Unapproved Roll-over	-	(3 291 331)
	-	-
Museum Howick		
Balance unspent at beginning of year	-	490 005
Current year receipts	175 000	166 000
Conditions met - transferred to revenue	(175 000)	(656 005)
Other	-	-
	-	-
Data Cleansing		
Balance unspent at beginning of year	24 851	24 851
Current year receipts	-	24 851
Conditions met - transferred to revenue	(24 851)	(24 851)
	-	**24 851**
Expanded Public Works Program		
Balance unspent at beginning of year	-	28 429
Current year receipts	1 317 000	1 438 000
Conditions met - transferred to revenue	(1 317 000)	(1 466 429)
	-	-

Notes to the Annual Financial Statements

	2017 R	2016 R

25. Government grants and subsidies (continued)

Libraries

Current year receipts	3 026 000	2 976 000
Conditions met - transferred to revenue	(3 026 000)	(2 976 000)
	-	-

Massification

Balance unspent at beginning of year	135 115	135 115

26. Other income

Shared services model	911 874	434 919
Compound rental	2 825	-
Building plan fees and drainage fees	1 790 188	1 532 940
Allocation of year end deficit electricity service to accumulated surplus	229 000	-
Reconnection fee	63 415	155 190
Valuation fee	2 034	14 556
Hall hire	140 280	194 580
Burial fees	45 442	48 176
Advertising	483 928	255 666
Connection income	971 971	379 273
Other income 16	341 347	-
LGSETA receipts	45 916	35 899
Sponsorship received	35 758	-
Sundry income	381 030	357 086
Subdivision income	10 978	30 175
Rates certificate income	285 084	264 682
	5 741 070	**3 703 142**

Notes to the Annual Financial Statements

27. General expenses

	2017 R	2016 R
Advertising	541 461	548 808
Auditor's remuneration	1 345 343	1 228 994
Bank Charges	851 961	720 124
Consulting and professional fees	8 434 764	6 380 314
Consumables	559 689	11 520
Contribution to landfill site provision	8 888 430	4 413 659
Veterinary department	888 844	799 671
Contribution to fire fighting services	202 655	398 410
Commission paid	2 546 404	1 410 826
Computer expenses	949 546	1 000 907
Community development and training	1 751 947	1 381 837
Discount allowed- traffic fines	27 581	23 000
Entertainment	7 347	8 000
Electricity	6 023 479	5 184 645
Electricity connections	240 970	-
Discount Allowed	2 502 063	1 965 041
Lease rentals on operating lease	3 527 653	5 253 685
Hygiene services	210 318	195 580
Insurance	295 538	442 042
Hostel Charges	76 299	276 902
IDP expenditure	3 157 364	2 473 276
IT expenses	1 277 047	374 285
Material and small tools	112 017	80 557
Magazines, books and periodicals	28 204	15 956
Medical expenses	7 313	5 970
Medical aid retired staff	776 879	684 286
Motor vehicle expenses	244 835	247 225
Postage and courier	1 311 721	1 104 516
Printing and stationery	326 436	415 952
Refuse	33 653	43 758
SARS penalties	-	1 379 230
Sewerage and waste disposal	48 144	48 889
Staff welfare	835 863	-
Subscriptions and membership fees	1 268 374	389 761
Telephone and fax	1 538 502	1 464 306
Training	1 293 134	458 335
Transfer of RDP houses to beneficiaries	366 961	839 091
Uniforms	571 568	57 157
Feasibility Study	624 526	-
Valuation expenses	1 406 825	2 513 133
Water	351 309	452 194
	55 452 967	**44 691 842**

Notes to the Annual Financial Statements

	2017 R	2016 R
28. Grant operating expenditure		
Cleanest town award	-	662
Libary computer assistant Mpophomeni	7 866	-
Library computer assistant Howick west	358 000	31 399
Finance management grant	1 076 783	1 753 010
LED strategy Corridor development -Shared services planning and development	175 000	-
Municipal systems improvement	-	901 413
Libary staffing costs	2 668 000	3 215 705
Intergrated Electrification Project	5 309 495	1 504 636
Expanded public works programme	1 317 000	1 380 947
	10 912 144	**8 787 772**

	2017 R	2016 R
29. Employee related costs		
Basic	53 071 483	51 085 234
Bonus	4 118 980	3 884 004
Medical aid - company contributions	4 863 284	4 197 756
UIF	486 596	463 182
WCA	697 271	543 587
SDL	793 842	767 694
Leave pay provision charge	3 271 448	2 938 879
Post-employment benefits - Medical aid and long service	96 500	1 533 500
Defined contribution plans	10 715 664	10 605 564
Overtime payments	6 019 847	5 586 852
Car allowance	3 526 883	3 774 360
Housing benefits and allowances	652 540	609 865
Cellphone allowance	315 250	311 250
Standby allowance	130 918	113 588
Subsistence and Travelling	1 044 050	1 021 204
	89 804 556	**87 436 519**

Remuneration of Municipal Manager

	2017 R	2016 R
Annual remuneration	443 101	1 004 371
Cellphone allowance	8 000	19 605
Leave pay	37 220	-
Re-imbursive Travel	5 455	1 642
	493 776	**1 025 618**

Remuneration of Chief Financial Officer

	2017 R	2016 R
Annual remuneration	670 137	790 639
Travel allowance	468 956	268 122
Cell phone allowance	18 000	18 000
Re-imbursement	-	15 757
	1 157 093	**1 092 518**

Notes to the Annual Financial Statements

	2017 R	2016 R

29. Employee related costs (continued)

Remuneration of General Manager Technical Services

Annual remuneration	862 278	812 180
Travel allowance	200 340	190 500
Cellphone Allowance	18 000	18 000
Re-imbursive traveling	143 553	117 246
	1 224 171	1 137 926

Remuneration of General Manager Community Services

Annual remuneration	862 247	812 150
Travel allowance	200 372	190 530
Acting allowance	26 608	-
Cell phone allowance	18 000	18 000
Re-imbursive travel	12 550	34 314
	1 119 777	1 054 994

Remuneration of General Manager Planning and Development

Annual remuneration	868 925	818 500
Travel allowance	193 693	184 180
Acting allowance	-	118 339
Cellphone allowance	18 000	18 000
Re-imburstive travel	2 252	3 010
	1 082 870	1 142 029

Remuneration of General Manager Corporate Services

Annual remuneration	862 246	812 150
Travel allowance	200 372	190 530
Acting allowance	151 609	-
Cellphone allowance	18 000	18 000
Re-imbursive Travelling	124 769	104 668
	1 356 996	1 125 348

All general managers received sumsung tablets of which is not included in the above packages

30. Remuneration of councillors

Mayor's allowance	785 403	778 878
Deputy Mayor allowance	646 689	614 843
Executive Committee allowance	-	576 000
Speaker	674 415	613 307
Councillors allowance	5 262 474	4 653 939
	7 368 981	7 236 967

Management have considered the effects of any impairment in the values of outstanding debtors and the value of the provision for bad debts.

The provision is adequate to account for any material losses expected to arise from any adjustment that are required to be made to the outstanding balance.

Notes to the Annual Financial Statements

	2017 R	2016 R
Gross amounts		
Rates	79 384 080	61 987 704
Electricity	16 244 901	15 871 509
Refuse	3 024 364	2 257 729
Legal costs	12 340	15 646
Housing rental	542 482	432 824
Sundry debtors	1 350 920	1 180 159
	100 559 087	**81 745 571**
Less: Provision for bad debts		
Rates	30 012 243	31 113 935
Electricity	4 399 628	3 449 748
Rental	236 599	767 461
Refuse	1 071 505	143 721
Sundry debtors	706 026	606 166
Legal	6 787	8 605
	36 432 788	**36 089 636**
Net balance		
Rates	49 371 838	30 873 769
Electricity	11 845 272	12 421 761
Rentals	305 883	289 102
Refuse	1 952 859	1 490 268
Legal costs	5 553	7 041
Sundry debtors	644 894	573 994
	64 126 299	**45 655 935**
Age analysis		
Rates		
Current (0 to 30 days)	12 327 012	-
31 to 60 days	8 884 572	4 224 992
61 to 90 days	2 784 613	11 661 759
91 to 120 days	1 716 380	3 302 168
121 to 150 days	236 925	-
151 days and over	23 422 335	51 589 129
	49 371 837	**70 778 048**
Electricity		
Current (0 to 30 days)	4 899 886	4 868 786
31 to 60 days	2 711 258	1 527 666
61 to 90 days	523 887	3 938 642
91 to 120 days	286 727	744 306
151 days and over	3 423 514	4 792 109
	11 845 272	**15 871 509**
Refuse		
Current (0 to 30 days)	585 601	495 092
31 to 60 days	306 102	218 214
61 to 90 days	138 914	152 568
91 days to 120 days	101 045	83 776
151 days and over	821 197	1 308 079
	1 952 859	**2 257 729**

Notes to the Annual Financial Statements

	2017 R	2016 R
Sundries		
Current (0 to 30 days)	47 808	12 755
31 to 60 days	12 404	3 114
61 to 90 days	5 741	83 771
91 to 120 days	4 212	2 743
121 to 150 days	8 034	-
151 days and over	575 688	1 077 776
	653 887	**1 180 159**
Legal costs		
151 days and over	5 553	15 646
Housing		
Current (0 to 30 days)	52 486	53 914
31 to 60 days	34 643	46 936
61 to 90 days	18 759	81 948
91 to 120 days	14 049	24 342
151 days and over	185 945	225 684
	305 882	**432 824**
Reconciliation of doubtful debt provision		
Opening balance	36 089 636	27 573 737
Debts written off during the year	8 428 070	-
Contribition made during the year	343 152	8 515 899
	44 860 858	**36 089 636**

Indigent customers

The indigent debtors receive 100kwh of free electricity per month provided that they have a prepaid meter installed in their home. Properties with a valuation up to a maximum of R200,000, are also exempt from paying refuse charges.

Consumer debtors impaired

As of 30 June 2017, consumer debtors of R 36 432 788 ,(2016: R 36 089 636) were impaired and provided for.

The aging of these debtors is as follows:

	43 813 832	36 089 636

The municipality profiled all debtors according to their risk profile. This risk profile was then used to calculate the doubtful debt provision.

31. Bad debts

Debt impairment- traffic fines	39 287 336	4 048 502
Debt impairment- consumer debtors	343 152	-
Debts written off- consumer debtors	8 428 070	21 942 062
	48 058 558	**25 990 564**

Notes to the Annual Financial Statements

	2017 R	2016 R

32. Interest revenue

Interest revenue		
Other financial assets	2 234 239	3 633 733
Interest charged on trade and other receivables	1 942 082	1 714 903
	4 176 321	**5 348 636**

33. Depreciation and amortisation

Property, plant and equipment	-	-
Investment property	265 689	266 436
Biological assets	-	-
Intangible assets	82 405	31 340
Property, plant and equipment (Refer note 3)	41 715 346	42 506 808
	42 063 440	**42 804 584**

34. Finance costs

Non-current borrowings	2 969 945	3 221 198
Finance leases	1 043 346	175 140
Interest on overdue accounts	141 119	45 575
	4 154 410	**3 441 913**

35. Auditors' remuneration

Fees	1 345 343	1 228 994

36. Bulk purchases

Electricity purchases	97 794 991	83 791 886

37. Cash (used in) generated from operations

Surplus (deficit)	1 657 630	(22 521 804)
Adjustments for:		
Depreciation and amortisation	42 063 440	42 804 584
Increase in contribution to bad debt provision	21 112 946	25 990 564
Movements in retirement benefit assets and liabilities	152 000	(398 217)
Movements in provisions	8 888 430	4 413 659
Transfer of RDP houses to beneficiaries	-	-
Changes in working capital:		
Other receivables	(501 798)	(294 455)
Consumer debtors	(45 167 341)	(10 842 396)
Other receivables from non-exchange transactions	(47 565 307)	(18 350 633)
Trade and other payables from exchange transactions	3 139 369	4 926 208
VAT receivable	5 518 132	(1 095 034)
Unspent conditional grants and receipts	(9 909 450)	(11 144 933)
	(20 611 949)	**13 487 543**

Notes to the Annual Financial Statements

	2017 R	2016 R

38. Commitments

Authorised capital expenditure

	2017 R	2016 R
Approved and contracted for		
• Mandela capture site	-	2 065 289
• Mpophomeni sportfield & Lidgeton Sportsfield	1 507 692	2 900 093
• Road and Stormwater Ward 10	-	1 435 139
• Road and Stormwater (Ward 11)	-	2 488 509
• Road Rehabilitation	-	3 362 697
• Midlands Road and stormwater	12 241 161	3 883 548
• Mpophomeni Roads and Rehabilitation	7 469 069	1 346 765
• Mpophomeni Hall	-	3 271 484
	21 217 922	**20 753 524**
Approved but not yet contracted for		
• Emandleni	500 000	500 000
• Lidgetton west sportfield	1 000 000	2 500 000
• Cedara	2 439 000	-
• Mpophomeni Road Rehabilitation	11 000 000	12 000 000
• Other financial assets	8 461 000	6 866 000
	23 400 000	**21 866 000**
Total capital commitments		
Already contracted for but not provided for	21 217 922	20 753 524
Not yet contracted for and authorised by accounting officer	23 400 000	21 866 000
	44 617 922	**42 619 524**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating expenditure

	2017 R	2016 R
The Municipality entered into agreements with various suppliers	28 540 842	19 772 598

The municipality has entered into a contract with suppliers for the provision of debt collection services, printing of statements, maintenance of the valuation roll, maintenance of the credit control system, cleaning services and security services. The total amount of these commitments are as follows.

Operating leases - as lessee (expense)

	2017 R	2016 R
Minimum lease payments due		
- Within one year	-	156 000
- In second to fifth year inclusive	-	179 405
	-	**335 405**

Operating leases consist of the following:

Operating lease payments represent rentals payable by the municipality for certain office properties (Taxi rank and White House) and equipment. Leases are negotiated for 3 years for the rental of the taxi rank and printers, and the lease periods for the White House is five years. No contingent rent is payable.

The municipality also leases land used for conservation purposes, the lease term for this land is 99 years. No escalation rate is applicable for the lease term.

	2017 R	2016 R

39. Contingencies

Informal dwellers have logged a claim for their eviction from Transnet property. The informal dwellers have requested that the municipality provide alternative accommodation. Value of this claim is undetermined.

Telkom has lodged a claim against the municipality for damages to Telkom telephone lines caused by a municipal tractor. the value of this claim could not be determined.

Mafuladi Dlamini and others have lodged a claim for their eviction from the Tumbleweed farm.

	2017 R	2016 R
Transnet Soc Ltd t/a Transnet Freight Rail	100 000	-
Zanele Princess Nxumalo	50 000	-
SAMWU	100 000	-
Cheryl Marian-Mostert	20 000	20 000
Flat No.7 Allermans Court	-	15 000
Mafuludi Dlamini and Others	160 000	-
SN Dladla	50 000	-
Telkom SA Ltd	41 902	41 902
Franklin and Moffet	100 000	-
Taxi rank Mpophomeni	50 000	-
Department of labour -fine	100 000	-
FE Currie / DP Zondi Boundary Wall	100 000	-
B Hlubi	3 190 000	3 190 000
Erf 3677- Howick	60 000	60 000
Erf 2667- Mpophomeni	-	10 000
Farm High gate	-	50 000
Mohlo J Zuma	50 000	50 000
Erf 2356 Howick West	-	50 000
Erf 110-150 Mpophomeni B	50 000	50 000
Epwp Workers	300 000	300 000
J Ostheizen	22 031	20 000
	4 543 933	**3 856 902**

C Mostet vs uMngeni Municipality claim for damages - pothole,Flat 7 allemans Court vs uMngeni Municipality eviction matter, Telkom SA vs uMngeni Muncipality claim for damages, B Hlubi vs uMngeni Municipality damages action against the municipality,erf 3677 Howick vs uMngeni Municipality sought legal advice against consultant company which failed to instal services at a developed site,

Erf2667 Mpophomeni vs uMngeni Municipality instituted legal proceedings to evict illegal occupants on municipal land,Farm Highgate vs uMngeni Municipality opinion and appeal,uMngeni Muncipality vs Mohlo J Zuma instituted legal proceedings to order the removal of an encroaching structure on the muncipal land,uMngeni Muncipality vs erf 2356-Howick institued the legal proceeding to evict illegal occupants in a building that is to be used by a councilor

Erf 110 to erf150, Mpophomeni B A possible PIE applicaton to evict illegal occupants of uMngeni land

	2017 R	2016 R

40. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial instruments - 2017	Within 1 year	Between 1 - 5 years	More than 5 years	Total
Trade and other payables from exchange transactions	27 018 683	-	-	27 018 683
Finance leases	987 953	3 682 327	-	4 670 280
Annuity loans	3 503 948	13 302 171	9 992 313	26 798 432
	31 510 584	**16 984 498**	**9 992 313**	**58 487 395**

Financial instruments 2016	Within 1 year	Between 1 - 5 years	More than 5 years	Total
Trade and other payables from exchange transactions	23 868 974	-	-	23 868 974
Finance leases	965 458	385 760	-	1 351 218
Annuity loans	3 386 736	12 453 939	13 781 784	29 622 459
	28 221 168	**12 839 699**	**13 781 784**	**54 842 651**

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The municipality limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting where possible for fixed interest rates rather than variable rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluate credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

These financial asset balances represent the maximum exposure to credit risk.

Financial Instrument	2017	2016
Cash and Cash Equivalents	10 679 413	6 796 232
Investments	4 674 024	33 038 278
Consumer Debtors	64 126 302	45 655 936
	79 479 739	**85 490 446**

	2017 R	2016 R

41. Going concern

At 30 June 2017, the municipality had an accumulated Surplus of R 604 704 770 and that the municipality's total assets exceed its liabilities by R 747 283 541.

It is also noted that municipality's unspent conditional grants liabilities are fully cash backed. The unspent grants liability amounts to R 1 168 989 and the municipality has investment to the value R 4 674 024 and cash and cash equivalents to the amount R 10 679 414 .

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are:

- Bi weekly meetings in the form of the Interim Finance Committee, to plan and approve only essential expenditure for the forthcoming weeks and to ensure that the unspent conditional grants are moving to a position of being cash backed.
- The Credit control and Valuation sub-committees meet monthly to tackle revenue enhancement issues by addressing the issue of outstanding debtors and valuation queries respectively. These committees have already achieved success by requesting all stakeholders involved in revenue enhancement to account monthly and provide direction on how to maximise revenue and reduce the outstanding debtors. A panel of attorneys have been appointed to assist with debt collection of debtors exceeding 90 days.
- Council and the Interim Finance committee is committed to turning the situation around and has frozen all vacant posts in order to curb expenditure, except critical posts or those funded by conditional grants.
- On the technical side, excess electricity losses have been identified and corrective action is being taken to remedy the situation by the Development of the Consumer Loss Analysis programme(CLA). This programme was specifically written to identify the electricity losses due to technical issues, theft of electricity, illegal connections, metered installations and correct the electricity billing cycle.

42. Events after the reporting date

During October 2016 the municipality received a letter from the National Treasury declining the application for roll over of unspent grants for Municipal Infrastructural Grant and Intergrated National Electrification Programme, in terms of section 22(2) of the 2015 Divison of Revenue Act

43. Unauthorised expenditure

	2017 R	2016 R
Other Expenditure - Landfill site	8 888 430	4 413 659
Depreciation and amortisation	13 089 739	31 572 219
Debt Debt Impairment	16 630 114	3 890 611
	38 608 283	**39 876 489**

The expenditure above has been identified as unauthorised expenditure,however included in the above unauthorised amount is the depreciation and debt impairment amounts which are non-cash items.

44. Fruitless and wasteful expenditure

	2017 R	2016 R
Balance brought forward	825 024	825 024
Interest on late payment of EMP 201	111 815	-
Interest on late payment of Eskom	2 257	19 728
KZN Transport	1 822	-
Interest on late payment of other suppliers	25 223	25 847
Amounts condoned by Council	-	(45 575)
	966 141	**825 024**

Notes to the Annual Financial Statements

	2017 R	2016 R

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

46. Irregular expenditure

	2017 R	2016 R
Balance brought forward	27 648 415	26 367 552
Supplier declared-thins into	-	-
AT &DT Trading	-	5 980
Siyabonga Mpungose	-	87 300
Sukile Trading as Think Big	-	195 900
Shazi Catering	-	7 500
Turning Point Consultants	-	55 625
Zethembe Trading and Projects	-	93 503
Khabahle Creations (Pty) Ltd	-	85 250
Injabulo kaMandla	-	82 300
Outflare Solutions	-	191 700
Garden Coart Hotel Umhlanga	-	26 836
Sabinet Online LTD	-	14 899
Working on Fire	-	244 120
Laser Com	-	146 650
MP Brothers	-	5 300
Magoqaza Trading	-	8 000
Alex Mthiyane	-	30 000
	27 648 415	**27 648 415**

All irregular expenditure raised in 2015/2016 are not yet condoned by Council as per the MFMA.

Deviations

	2017	2016
	2 263 156	3 468 151

SCM deviations
There were SCM deviations amounting to R 2 263 156 (2016: R3 468 151) reported to Council as per SCM policy and were noted by Council.

47. SCM deviations

In terms of regulation 36 of the Municipal Supply Chain Management Regulations, deviations from, and ratification of minor breaches of the procurement process have to be approved by the accounting officer and noted by the Council.

The following deviations were approved by the accounting officer and sent to Council for noting.

	2017	2016
Section 36 deviations		
Price Water Coopers	703 808	995 049

48. Actual operating expenditure versus budgeted operating expenditure

Material differences between budget and actual amounts

Explanations for variances greater than 10% and more than R 1 million noted in the Statement of Comparison of Budget and Actual are as follows:

Commentary on Statement of Financial Performance

Revenue
49.1 Service charges- electricity

The variance is attributed to the electricity losses due to theft, through illegal connections. The municipality has determined that the estimated loss is R 73 million, refer to note 24. The municipality is currently trying to address the losses via the stop electricity theft project.

49.2 Service Charge - Refuse

There has been an increase in the Municipal property development namely St Johns village, Garlington.

49.3 Other Income
This is as a result of non-payment by Municipality's that uMngeni has shared GIS services with.

49.4 Interest Recieved on Investments
The Municipality spent most of it grants that were invested hence there isa decrease in the interest that was projected tobe received.

49.5 Property Rates- Penalties Imposed

This is a result of ratepayers who are not paying in time and in February the Municipality charges 10% on all outstanding surchages.

49.6 Fine
There has been an increase in traffic fines because the unit has been fully functional comparing to the previous year where officials were not complying.

Expenditure

49.7 Depreciation
Infrastructure depreciation was under budgeted for, which has resulted in a variance between budgeted and actual amounts.

49.8 Finance Costs

The Municipality has been adhering to S65 of the MFMA - paying its creditors within 30 days.

49.9 Debt Impairment
In the current year the municipality has accounted for traffic fines in terms of revised IGRAP 1. Debt impairment includes calculation of traffic fines considered impaired by the Municipality.Council approved 48 0 million debt write off consumer accounts which has resulted in a variance between actual and budget.

49.10 Grants and subsidies paid
The municipality has unspent grant of an operating nature, viz, Financial Management Grant, Municipali Synergetic Partnership Grant, Massisfication Grant

Additional text

	2017 R	2016 R
49. Additional Disclosure in terms of Municipal Finance Management Act		
Audit fees		
Current years Audit fee		
Previous Years Audit Fee	1 345 343	1 228 994
Amount Paid - current Year	1 228 994	570 714
Amount Paid - Previous Year	(1 345 343)	(1 228 994)
Amount Paid - Current Year	(1 228 994)	(570 714)
Heading		
	-	-
PAYE and UIF		
Current year payroll deductions	12 846 423	13 517 569
Amount Paid - Current Year	(12 846 423)	(13 517 569)
	-	-
PENSION AND MEDICAL AID		
Current year payroll deductions	23 899 117	24 591 190
Amount Paid - Current Year	(23 899 117)	(24 591 190)
	-	-

There were no amounts due from Councillors and staff at as the end of the year.

50. Other financial assets

In-kind benefits:

The Mayor is employed on a full-time basis, and is provided with an office and secretarial support at the cost of the Council.

The Mayor has the use of Council owned vehicles for official duties.

The Mayor has two full-time bodyguards.

Councillor benefits:
All Councillors received a Samsung tablet in the current financial year. This benenfit is not included in the remuneration noted above.

51. Contingent Assets

An employee in the Traffic Department had misappropriated funds to the value of R9,540. She was found guilty of the misconduct and after the disciplinary hearing a settlement was reached and the employee was to pay R265 per month for the next three years. Five Cashiers were suspended for misappropriation of funds, however the figure is uncertain at moment.